

Message Text

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C O N F I D E N T I A L MEXICO 15380

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SUBJECT: FOREIGN BANKERS REACTION TO JLP INAUGURATION ADDRESS

1. SUMMARY: OUR SAMPLING OF FOREIGN BANKERS ATTENDING JLP INAUGURATION INDICATES THEY FOUND SPEECH ENCOURAGING, BUT ARE AWAITING MORE SPECIFIC INDICATIONS OF JLP POLICIES BEFORE MAKING POLICY DECISIONS. MEDIUM-SIZED AND LARGER BANKS APPEAR TO BE WILLING TO MAINTAIN THEIR EXPOSURE AT CURRENT LEVELS, BUT SEVERAL BANKERS INDICATED THERE IS PRESSURE FROM SENIOR MANAGEMENT TO REDUCE EXPOSURE. END SUMMARY.

2. LARGE NUMBER OF FOREIGN BANKS ARE REPRESENTED AT INAUGURATION CEREMONIES OF JLP. CONVERSATIONS OF EMBASSY OFFICIALS WITH THOSE BANKERS INDICATE THAT BANKERS FOUND JLP'S INAUGURAL ADDRESS UPBEAT AND ENCOURAGING, BUT WOULD HAVE LIKED TO KNOW MORE SPECIFICS OF NEW ADMINISTRATION'S ECONOMIC POLICIES. ON THURSDAY NIGHT NEW FINANCE MINISTER MOCTEZUMA HOSTED DINNER AND ON FRIDAY PRESIDENT HOSTED BREAKFAST FOR VISITING BANKERS. WHILE SOME BANKERS HAD EXPRESSED HOPE THAT MORE DETAIL MIGHT BE PROVIDED ON ONE OR BOTH OF THESE OCCASIONS, NONE WAS FORTHCOMING. BANKERS WERE LIMITED FOR MOST PART TO TEN-SECOND CONVERSATIONS WITH SENIOR GOM OFFICIALS. PROBLEMS IN ORGANIZING NEW GOVERNMENT HAS MADE IT DIFFICULT TO SEE NEW SENIOR OFFICIALS PRIVATELY.

3. VISITING OFFICIAL OF LARGE TEXAS BANK TOLD FINATT THAT HIS SENIOR MANAGEMENT WANTED SOME POSITIVE SIGNS THAT GOM IS MOVING
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TO STABILIZE ECONOMY WITHIN THREE MONTHS OR THEY WOULD START

REDUCING THEIR EXPOSURE. HE ALSO EXPRESSED CONCERN ABOUT POSSIBLE CLASSIFICATION OF LOANS TO MEXICAN PUBLIC SECTOR ENTITIES BY COMPTROLLER OF THE CURRENCY, AND EXPRESSED OPINION THAT POLITICAL FACTORS SHOULD BE TAKEN INTO ACCOUNT BEFORE ANY SUCH ACTION.

4. REPRESENTATIVE OF LARGE NEW YORK BANK SAID THEY WERE ADOPTING LOW PROFILE FOR TIME BEING. HIS COMMENTS IMPLIED THAT HIS SENIOR MANAGEMENT WAS CONSIDERING HOW THEY COULD REDUCE THEIR EXPOSURE OVER COURSE OF NEXT YEAR.

5. SENIOR OFFICIAL OF LARGE PENNSYLVANIA BANK EXPRESSED RESERVATIONS ABOUT INAUGURAL SPEECH AND EXPRESSED SATISFACTION THAT HIS BANK'S EXPOSURE WAS HEAVILY ORIENTATED TOWARD PUBLIC SECTOR AND MOSTLY SHORT-TERM.

6. BANKERS THAT TEND TO BE MOST OPTIMISTIC ARE THOSE WITH LARGEST EXPOSURES; I.E, BANK OF AMERICA AND CITIBANK, THOUGH IN PRIVATE THEY TOO EXPRESS THEIR CONCERNS.

7. ONE ITEM IN JLP SPEECH THAT DID IMPRESS BANKERS WAS HIS STATEMENT, "WE WILL SUPPORT COMPANIES WHICH IN GOOD FAITH WERE FORCED TO INCUR DEBTS IN DOLLARS IN ORDER TO PREVENT RISE IN COSTS AND DEPELETION OF THEIR CAPITAL". THEY ARE ANXIOUS TO KNOW HOW NEW GOVERNMENT WILL IMPLEMENT THIS.

8. NEW FINANCE MINISTER, MOCTEZUMA CID IS VIRTUALLY UNKNOWN TO BANKERS WHICH IS PROBABLY NEGATIVE FACTOR, AT LEAST UNTIL MOCTEZUMA CAN PROVE HIMSELF. ROMERO KOLBECK, AS HEAD OF NACIONAL FINANCIERA, WAS KNOWN TO BANKERS, BUT NOT VERY WELL AS LOWER LEVEL OFFICIALS HANDLED MOST OF NAFINSA'S NEGOTIATIONS WITH COMMERCIAL BANKERS. WE HAVE NOT HEARD ANY REMARKS ABOUT TELLO IN PART BECAUSE HIS POSITION WOULD NOT NECESSARILY PUT HIM IN DIRECTO CONTACT WITH FOREIGN BANKERS.

9. BRITISH BANKER EXPRESSED CONCERN ABOUT REACTION OF U.S. BANKS TO MEXICO'S SITUATION. HE SAID THAT HE BELIEVED THAT MEXICO'S DIFFICULTPERIOD WOULD LAST SEVERAL YEARS, BUT THAT THE LONGER-TERM OUTLOOK WAS STILL THE BEST AMONG DEVELOPING COUNTRIES. SHOULD U.S. BANKS TRY TO PULL OUT, HE SAID, THIS WOULD ENDANGER CONFIDENTIAL

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THE REST OF THE BANKING COMMUNITY
JOVA

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